

NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

EXTENSION OF UNEMPLOYMENT BENEFITS AND
AFDC WORK INCENTIVE AMENDMENTS

MAY 25, 1982.—Ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means,
submitted the following

REPORT

together with
DISSENTING VIEWS

[To accompany H.R. 6369]

[Including cost estimate and comparison of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 6369) to provide a program of Federal supplemental unemployment compensation, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 6, strike out line 24 and all that follows down through line 2 on page 7, and insert in lieu thereof the following:

(b) (1) There are hereby authorized to be appropriated from the general fund of the Treasury, without fiscal year limitation, such sums as may be necessary to carry out the purposes of this title.

(2) There are hereby authorized to be appropriated from the general fund of the Treasury, without fiscal year limitation, \$13,100,000 to the employment security administration account in the Unemployment Trust Fund for purposes of assisting States (as provided in title III of the Social Security Act) in meeting the costs of administration of agreements under this title.

Page 10, line 12, insert "(i)" after "(A)".

Page 10, after line 20, insert the following new clause:

"(ii) shall disregard any income (and allowances) of a dependent child receiving aid to families with dependent

children which is derived from participation in a youth program under title IV of the Comprehensive Employment and Training Act (29 U.S.C. 891 et seq.) or under the corresponding provisions of any successor statute;

Page 12, line 5, after "income of such child" insert "to which such subparagraph (A) applies".

Add at the end thereof the following new title:

TITLE III—TAXATION OF UNEMPLOYMENT COMPENSATION

SEC. 301. TAXATION OF UNEMPLOYMENT COMPENSATION.

(a) **LOWERING BASE AMOUNT FROM \$20,000 TO \$12,000 (FROM \$25,000 TO \$18,000 IN CASE OF JOINT RETURN).**—Subsection (b) of section 85 of the Internal Revenue Code of 1954 (defining base amount) is amended—

(1) by striking out "\$20,000" and inserting in lieu thereof "\$12,000", and

(2) by striking out "\$25,000" and inserting in lieu thereof "\$18,000".

(b) **EFFECTIVE DATES.**—

(1) **COMPENSATION PAID AFTER 1981.**—The amendments made by this section shall apply to payments of unemployment compensation made after December 31, 1981, in taxable years ending after such date.

(2) **NO ADDITION TO TAX FOR UNDERPAYMENT OF ESTIMATED TAX ATTRIBUTABLE TO APPLICATION OF AMENDMENTS TO COMPENSATION PAID IN 1982.**—No addition to tax shall be made under section 6654 of the Internal Revenue Code of 1954 with respect to any underpayment to the extent such underpayment is attributable to unemployment compensation which is received during 1982 and which (but for the amendments made by subsection (a)) would not be included in gross income.

(3) **SPECIAL RULE FOR FISCAL YEAR TAXPAYERS.**—In the case of a taxable year (other than a calendar year) which includes January 1, 1982—

(A) the amendments made by this section shall be applied by taking into account the entire amount of unemployment compensation received during such taxable year, but

(B) the increase in gross income for such taxable year as a result of such amendments shall not exceed the amount of unemployment compensation paid after December 31, 1981.

(4) **UNEMPLOYMENT COMPENSATION DEFINED.**—For purposes of this subsection, the term "unemployment compensation" has the meaning given to such term by section 85(c) of the Internal Revenue Code of 1954.

H.R. 6369—EXTENSION OF UNEMPLOYMENT BENEFITS AND AFDC WORK INCENTIVE AMENDMENTS

CONTENTS

	Page
I. Summary of Bill.....	3
II. Comparison of Bill with Law Prior to Omnibus Budget Reconciliation Act of 1981 and Present Law.....	5
III. Explanation of Bill:	
Title I—Federal Supplemental Unemployment Compensation Programs	8
Title II—Aid to Families with Dependent Children (AFDC) Program	12
Title III—Taxation of Unemployment Compensation.....	25
IV. Budget Effects of the Bill.....	26
V. Other Matters Required to be Discussed Under the Rules of the House	33
VI. Changes in Existing Law Made by the Bill, as Reported.....	34
VII. Dissenting Views of Messrs. Conable, Archer, Crane, Frenzel, and Moore	40
VIII. Further Dissenting Views of Mr. Rousselot.....	42

H.R. 6369—EXTENSION OF UNEMPLOYMENT BENEFITS AND AFDC WORK INCENTIVE AMENDMENTS

I. SUMMARY OF BILL

H.R. 6369 provides for a maximum of 13 additional weeks of unemployment compensation in States with high unemployment for jobless workers who have exhausted all unemployment benefits. It contains amendments to the Aid to Families with Dependent Children (AFDC) program designed to provide a financial incentive for AFDC recipients to find employment and continue working. In addition, the bill lowers the income thresholds limiting the inclusion of unemployment benefits in adjusted gross income for income tax purposes.

1. Additional Weeks of Unemployment Compensation

Unemployed workers who exhaust their State unemployment compensation benefits and Federal-State extended benefits would be provided additional weeks of unemployment compensation equal to one-half of the number of weeks they received State benefits. No one, however, could receive more than 13 additional weeks of benefits. These additional weeks of benefits would be payable in States where, due to high unemployment, the Extended Benefit program is triggered on.

There would be no additional eligibility requirements for receipt of the additional benefits provided under H.R. 6369. An unemployed worker who has exhausted his or her State and extended benefits, whose benefit year ended on or after January 1, 1982, and who continues to meet all requirements for receipt of State and extended benefits, would be eligible to receive the additional benefits, if the Extended Benefit program is triggered on in the State.

The program would be in effect from date of enactment until September 30, 1983. The costs of the additional benefits would be financed from Federal general revenues.

2. AFDC Work Incentive Amendments

In order to provide a financial incentive for AFDC recipients to find employment and continue working, H.R. 6369 would increase the "earned income disregards" in the AFDC program. Specifically, the bill would require States to disregard the following amount of *earnings* in determining a family's monthly AFDC benefit: the first \$50 of earnings, 20 percent of gross earnings (up to a maximum of \$175), child care costs (up to a maximum of \$160 per child) and one-third of remaining earnings. The \$50 and one-third disregards would be applied in determining a family's AFDC benefit *only* if the family meets the State income eligibility requirements without the application of these disregards. There would be no time limitation on the one-third or any of the other disregards.

In addition, the bill would (1) require States to disregard the earnings of a child in an AFDC family derived from his or her participation in a CETA youth program; (2) clarify that States are to continue to exclude certain State financed payments that a State has been providing to meet certain needs of AFDC children; (3) repeal the provision in current law that limits AFDC eligibility to families with income below 150 percent of the State standard of need; and (4) repeal the requirement that States assume AFDC recipients with earnings are receiving the earned income tax credit (EITC) on a monthly basis (States would be required to count only the amount of EITC actually received by the person).

3. Amendment to Income Thresholds for Taxation of Unemployment Compensation

The income thresholds limiting the inclusion of unemployment benefits in adjusted gross income for Federal income tax purposes would be reduced to \$12,000 for single taxpayers and \$18,000 for married taxpayers filing jointly. Estimated tax penalties for 1982 attributable to this change would be waived. This change would be effective for benefits paid on or after January 1, 1982.

III. COMPARISON OF BILL WITH LAW PRIOR TO OMNIBUS BUDGET RECONCILIATION ACT OF 1981 AND PRESENT LAW

Item	Prior law	Present law	H.R. 6369
1. Additional weeks of Unemployment Compensation Benefits: Federal Supplemental Benefits (FSB).	Same as present law.	Most States provide up to a maximum of 26 weeks of State unemployment compensation benefits to unemployed individuals who meet the qualifying requirements of State law. Many claimants qualify for less than the maximum 26 weeks of State benefits. State benefits are financed out of State unemployment trust funds. Under the permanent Federal-State extended benefits program, additional weeks of unemployment compensation are payable to individuals who exhaust their State benefits during periods of high unemployment. Under the extended benefits program, an individual may receive additional weeks of benefits equal to one-half of the number of weeks of State benefits to which he or she was entitled. No one may receive more than 13 weeks of extended benefits, or more than 39 weeks of State plus extended benefits. Extended benefits are financed one-half out of State unemployment trust funds and one-half out of Federal unemployment trust funds. Effective Sept. 25, 1982, the IUR¹ at which extended benefits will be payable in any State will be raised from 4 percent (plus 20 percent factor) to 5 percent (plus the 20 percent factor). The optional trigger rate will be increased from 5 to 6 percent (sec. 2403 of the Omnibus Budget Reconciliation Act of 1981).	An individual who exhausts his or her State and extended benefits could receive additional weeks of benefits equal to one-half of the duration of the claimant's State benefit entitlement—up to a maximum of 13 additional weeks, with a combined maximum of 52 weeks of State benefits plus extended benefits plus the Federal supplemental benefits (FSB) provided by this bill. FSB benefits and administrative costs would be financed out of general revenues.
	State Triggers: Until Sept. 25, 1982, extended benefits are payable in a State when, for the most recent 13 week period, the State insured unemployment rate (IUR)¹ averages at least 4 percent and, in addition, is 20 percent higher than it was during the same 13-week period in the two previous years. When the "20 percent" factor is not met, a State, at its option, may provide extended benefits when the State IUR averages 5 percent. (39 States have incorporated the optional 5 percent trigger into their State law.)	FSB would be payable under the same triggers used to trigger on the extended benefits program. In other words, FSB would be payable wherever extended benefits were payable. Effective date: Enactment through Sept. 30, 1983. Cost: Fiscal year 1982, \$315 million; Fiscal year 1983, \$625 million. (*Assumes enactment by July 1, 1982.)	

¹ The Insured Unemployment Rate (IUR) is the percentage of workers covered by the State unemployment compensation program who are claiming State benefits.

II. COMPARISON OF BILL WITH LAW PRIOR TO OMNIBUS BUDGET RECONCILIATION ACT OF 1981 AND PRESENT LAW—Continued

Item	Prior law	Present law	H.R. 6369
2. (a) AFDC Earned Income Disregards (sec. 201).	(a) States were required to disregard the following amount of earnings in the following order: Eligibility Determination: (1) work-related expenses, including child day care costs. Benefit Calculation: (1) the first \$30 of monthly earnings; (2) one-third of remaining earnings; and, (3) work-related expenses, including child day care costs.	(a) States are required to disregard the following amount of earnings, in the following order (Sec. 2301 of the Omnibus Budget Reconciliation Act of 1981): Eligibility Determination: (1) the first \$75 of monthly earnings for full time employment (in lieu of itemized work expenses); and, (2) the cost of care for a child or incapacitated adult, up to \$160 per child per month. Benefit Calculation: (1) the first \$75 of monthly earnings for full time employment; (2) child care costs up to \$160 per child per month; and, (3) \$30 plus one-third of earnings not previously disregarded. The \$30 plus one-third disregard is allowed only during the first 4 consecutive months in which a recipient has earnings in excess of the standard work expense and child care disregards.	(a) States would be required to disregard the following amount of earnings in the following order: Eligibility Determination: (1) 20 percent of gross earnings up to a maximum of \$175 per month; and, (2) child care costs up to \$160 per child per month. Benefit Calculation: (1) the first \$50 of monthly earnings; (2) 20 percent of gross earnings up to \$175 per month; (3) child care costs up to \$160 per child per month; and, (4) one-third of remaining earnings. There would be no time limitation on the one-third or any of the other disregards. States would have the option of not applying the child care and one-third disregards in the case of two-parent families.
(b) Gross Income Limitation (sec. 202).	(b) There was no statutory limit on the amount of gross income a family could have and still remain on AFDC. In determining eligibility and benefits, the earned income disregards summarized above were applied. Recipients became ineligible for benefits at the point their "countable income" (gross income minus the disregards) equaled the State maximum AFDC benefit amount.	(b) Eligibility for AFDC is limited to families with gross incomes (income before application of any disregards) at or below 150 percent of the State's standard of need. (Sec. 2303 of the Omnibus Budget Reconciliation Act of 1981.)	(b) Restores prior law. Effective Date for 3 (a) and (b): Oct. 1, 1982 or earlier at State option. Cost for 3 (a) and (b): Fiscal year 1983, \$59 million.
(c) Earnings of Youth (sec. 201).	States were required to disregard all earned income of a child who is a full-time student or a part-time student who is not a full-time employee. Regulations defined the term student to include Job Corps participants. Thus, earnings of these individuals did not affect the family's AFDC eligibility or benefit amount.	Retains the provisions of prior law requiring the disregard of student earnings for purposes of determining the family's AFDC benefit. Regulations continue to define the term student to include Job Corps participants. However, all income, including student earnings, must be considered in applying the 150 percent gross income limitation (described above). As a result, student earnings may cause the family to lose AFDC eligibility.	The requirement to disregard student earnings in determining the family's AFDC benefit is retained. In addition, States would be required to disregard any income and allowances received by any child as the result of participation in a youth program under title IV of CETA or under corresponding provisions of a successor statute (includes Job Corps, summer youth, and other youth programs). The provisions of the bill which repeal the 150 percent gross income limitation would further preclude the possibility that income derived from participation in a CETA youth program would affect the family's AFDC eligibility. Effective Date: Oct. 1, 1982 or earlier at State option. Cost: Fiscal year 1983, \$2 million.

3. Treatment of earned income tax credit (EITC) advance amount under AFDC (sec. 203).

(a) Same as present law.

(b) For purposes of determining AFDC eligibility and benefit amounts, the EITC (whether received as an advance payment or an income tax refund) was counted as earned income when actually received.

4. Exclusion from Income (sec. 204).

Income received by an AFDC household was generally counted as income in determining eligibility for and amount of assistance, unless such income was specifically excluded from being counted. The Department of Health and Human Services did not require that certain State payments be considered income for purposes of determining AFDC eligibility or amount of benefits. These are payments that were financed wholly from State funds to meet needs of children receiving AFDC which were not met by the regular AFDC payment.

The countable income received by an AFDC unit was usually considered as income only in the month of receipt.

5. Taxation of Unemployment Compensation (Title III).

(a) Present law provides an earned income tax credit (EITC) for the working poor. Eligible employees may elect to receive their EITC in the form of advance payments added to their paychecks, or may apply for a refund at the end of the year when they file their tax returns.

(b) In determining earned income for AFDC, the State must assume that an individual is receiving an advance monthly basis the EITC payment that he or she is eligible to receive, regardless of whether the person has applied for or receives the advance payment (Sec. 2305 of the Omnibus Budget Reconciliation Act of 1981.)

Same as prior law except that countable income must be considered as income not only in the month it is received, but also in future months. Thus, if the income which is received in a month exceeds the State standard of need, such income is applied in determining the eligibility for and amount of benefits in future months.

(a) No change in present law.

(b) Restores prior law.

Effective Date: Oct. 1, 1982 or earlier at State option.
Cost: Fiscal year 1983, \$10 million.

Excludes from being counted as income, both in the month of receipt and in future months, certain special payments made by a State to AFDC households. To qualify for such an exclusion the payments must have been originally authorized by State statute prior to Jan. 1, 1979; be paid entirely from State funds by the State agency administering the AFDC program; and; be provided to meet the needs of AFDC children.

Effective Date: Oct. 1, 1982 or earlier at State option
Cost: 0.

Under present law, the amount of State and Federal unemployment insurance benefits included in adjusted gross income for income tax purposes is equal to the lower of:

- the amount of unemployment benefits paid, or
- one-half of the excess of adjusted gross income, unemployment benefits, and excludable disability income over \$20,000 for single taxpayers, \$25,000 for married taxpayers filing jointly, or zero for married taxpayers filing separately.

The income thresholds limiting the inclusion of unemployment benefits in adjusted gross income would be reduced to \$12,000 for single taxpayers and \$18,000 for married taxpayers filing jointly. Estimated tax penalties for 1982 attributable to this change would be waived.

Effective Date: Effective for benefits paid on or after Jan. 1, 1982.

Revenue Effect: Estimated to increase Federal fiscal year tax receipts by \$696 million in 1983, \$686 million in 1984, \$611 million in 1985, \$518 million in 1986, and \$650 million in 1987.

III. EXPLANATION OF BILL

Title I: Federal Supplemental Unemployment Compensation Program

1. Present Law

A. State Unemployment Compensation Benefits

States provide State financed unemployment compensation benefits to unemployed individuals who meet the qualifying requirements of State law.

In all States, in order to receive State benefits, an individual must have earned a specified amount of wages and/or worked for a certain period of time prior to filing for unemployment compensation. There is, however, substantial variation among the States in the amount of previous earnings or employment necessary to qualify for benefits. In addition, all States requires that, to qualify for benefits, the claimant must have been "involuntarily" unemployed; must be able to work, available for work, and seeking work; and must not refuse an offer of suitable employment.

Most States provide up to a maximum of 26 weeks of State unemployment compensation benefits to unemployed individuals who meet the qualifying requirements of State law. Many claimants qualify for less than the maximum 26 weeks, and in nine (9) States claimants may receive more than 26 weeks of State benefits. The number of weeks a claimant may draw benefits (except in the eleven "uniform duration" States) and the amount of his or her weekly unemployment payment varies with the level of wages or length of employment prior to the filing for benefits.

B. Federal-State Extended Unemployment Compensation Benefits

Under the permanent Federal-State extended unemployment compensation benefits program, additional weeks of unemployment compensation are payable to individuals who exhaust their State benefits during periods of high unemployment. Extended benefits are financed 50 percent from State trust funds and 50 percent from the Federal unemployment insurance trust fund.

Under the extended benefits program, an individual may receive additional weeks of benefits equal to one-half of the number of weeks of State benefits to which he or she was entitled. No one, however, may receive more than 13 weeks of extended benefits, or a combined total of more than 39 weeks of State plus extended benefits.

Until September 25, 1982, extended benefits are payable in a State when, over the most recent 13 week period, the State insured unemployment rate (IUR—the percentage of workers covered by the State unemployment compensation program who are claiming State benefits) averages at least 4 percent and, in addition, is at least 20 percent higher than the State IUR during the comparable period in the two prior years. When the "20 percent" factor is not met, a State, at its option, may provide extended benefits when the State IUR reaches 5 percent. Thirty-nine (39) States have incorporated the optional 5 percent "trigger" into their State law. (See Table 1: Extended Benefits Trigger Notice No. 82-18).

On September 25, 1982, as required by Section 2403 of the Omnibus Budget Reconciliation Act of 1981, both the State extended benefit triggers will be increased by 1 percentage point. In other words, after this date, extended benefits will be payable in a State when the State IUR equals 5 percent (rather than 4 percent) and is 20 percent higher than what it was during the comparable period in the previous two years; or, at State option, when the IUR equals 6 percent (rather than 5 percent), regardless of the State IUR in previous years.

2. H.R. 6369

In States with high unemployment, unemployed workers who exhaust their State unemployment compensation benefits and Federal-State extended unemployment compensation benefits would be provided additional weeks of benefits (Federal supplemental benefits—FSB) equal to one-half of the number of weeks of State unemployment benefits received by each claimant. No one, however, could receive more than 13 weeks of FSB or a combined total of more than 52 weeks of State benefits plus extended benefits plus the FSB provided by this bill.

FSB would be payable in States with unemployment high enough to trigger on the extended benefits program, as described above. In other words, FSB would be payable only in States where extended benefits are payable.

TABLE 1.—EXTENDED BENEFITS (TRIGGER NOTICE NO. 82-18)
STATE EXTENDED BENEFIT INDICATORS UNDER PUBLIC LAW 94-566 AS OF MAY 1, 1982

Number "On": 33	Extended benefit indicators		Status of extended benefit periods beginning date (B) ending date (E)
	13-week IUR	Percent of prior 2 yr	
ON Alabama ¹	4.94	123	B Feb. 14, 1982.
ON Alaska	8.73	98	B Jan. 19, 1975.
ON Arizona ¹	3.57	147	E Jan. 24, 1981.
ON Arkansas ¹	5.91	123	B Mar. 7, 1982.
ON California	5.30	130	B Feb. 7, 1982.
ON Colorado	2.96	134	E Jan. 24, 1981.
ON Connecticut	3.61	130	E Jan. 24, 1981.
ON Delaware ¹	3.98	116	B Apr. 18, 1982.
ON District of Columbia	3.72	120	E Jan. 24, 1981.
ON Florida	2.21	128	E Jan. 24, 1981.
ON Georgia	3.46	145	E Jan. 24, 1981.
ON Hawaii	3.66	139	E Jan. 24, 1981.
ON Idaho	8.43	146	B Oct. 18, 1981.
ON Illinois	5.47	117	B Mar. 7, 1982.
ON Indiana	5.23	135	B Jan. 31, 1982.
ON Iowa ¹	5.08	160	B Feb. 14, 1982.
ON Kansas ²	(3.64)	(143)	E Jan. 24, 1981.
ON Kentucky ¹	6.25	116	E Aug. 1, 1981.
ON Louisiana	3.88	131	E Jan. 24, 1981.
ON Maine	5.68	116	B Feb. 21, 1982.
ON Maryland	4.64	141	B Feb. 14, 1982.
ON Massachusetts	4.24	124	B Mar. 28, 1982.
ON Michigan	8.43	110	B Feb. 28, 1982.
ON Minnesota	4.64	127	B Feb. 28, 1982.
ON Mississippi	5.72	151	B Jan. 17, 1982.
ON Missouri	4.5 ³	108	B Mar. 21, 1982.
ON Montana ¹	6.41	123	B Apr. 11, 1982.
ON Nebraska	3.28	153	E Jan. 24, 1981.
ON Nevada ¹	4.81	139	B Feb. 7, 1982.
ON New Hampshire ¹	3.03	130	E Jan. 24, 1981.
ON New Jersey	5.38	108	B Feb. 28, 1982.
ON New Mexico	3.58	124	E Jan. 24, 1981.
ON New York	4.04	102	E Jan. 24, 1981.

See footnotes at end of table, p. 10.

TABLE 1.—EXTENDED BENEFITS (TRIGGER NOTICE NO. 82-18)—Continued
STATE EXTENDED BENEFIT INDICATORS UNDER PUBLIC LAW 94-566 AS OF MAY 1, 1982—Continued

Number "On": 33	Extended benefit indicators		Status of extended benefit periods beginning date (B) ending date (E)
	13-week IUR	Percent of prior 2 yr	
ON North Carolina.....	4.89	172	B Jan. 31, 1982.
North Dakota ¹	4.46	111	E Jan. 24, 1981.
ON Ohio.....	6.44	140	B Jan. 17, 1982.
Oklahoma.....	2.16	136	E Jan. 24, 1981.
ON Oregon.....	8.24	139	B Mar. 16, 1980.
ON Pennsylvania.....	6.44	128	B Jan. 24, 1982.
ON Puerto Rico.....	8.47	116	B Feb. 23, 1975.
ON Rhode Island.....	6.65	121	B Jan. 24, 1982.
ON South Carolina.....	5.25	163	B Jan. 10, 1982.
South Dakota ¹	² (2.71)	(110)	E Jan. 24, 1981.
ON Tennessee.....	5.70	141	B Jan. 24, 1982.
Texas.....	1.39	98	E Jan. 24, 1981.
ON Utah ¹	4.91	140	B Feb. 28, 1982.
ON Vermont.....	5.92	125	B Feb. 28, 1982.
Virginia.....	2.87	137	E Jan. 24, 1981.
ON Virgin Islands.....	² (4.80)	(140)	B Feb. 21, 1982.
ON Washington.....	7.02	143	B July 6, 1980.
ON West Virginia.....	6.61	99	B Apr. 18, 1982.
ON Wisconsin.....	6.64	121	B Jan. 3, 1982.
Wyoming ¹	3.27	160	E Jan. 24, 1981.

¹ State does not have 5 percent option in its law.

² Trigger Indicator as of Apr. 24, 1982.

Source: U.S. Department of Labor, ETA, UIS Division of Actuarial Services, May 17, 1982.

There would be no additional eligibility requirements for receipt of FSB. An individual who has exhausted his or her State and extended benefits, whose benefit year ended on or after January 1, 1981, and who continues to meet all requirements for receipt of State and extended benefits, would be eligible to receive FSB, if the extended benefit program is triggered on in the State.

FSB provided under this bill, plus administrative costs of the program, would be financed from Federal general revenues. The program would be in effect from the date of enactment until September 30, 1983.

Current economic conditions make it necessary to provide additional weeks of unemployment compensation for those unemployed workers who are unable to find jobs. According to the most recent unemployment statistics, there are currently 10.3 million jobless workers. The current unemployment rate is 9.4 percent, the highest it has been since 1941. In addition, the number of unemployed workers who are exhausting their unemployment benefits is increasing rapidly. As of March, over 300,000 workers were exhausting their State unemployment benefits each month (See Table 2: Unemployment Compensation (UC) Exhaustion Data). Because an increasing number of jobless workers are competing for a decreasing number of jobs, every month more and more individuals are exhausting their unemployment benefits before finding work.

This bill recognizes that, under these economic conditions, the current unemployment compensation program is inadequate, and that additional weeks of unemployment benefits must be provided. The bill is limited in scope and designed to address the current economic emergency thousands of families are facing. It is not a substitute for measures that will create new jobs and provide the necessary employment services that will insure full employment for American workers.

The bill simply recognizes that, because of the large number of people looking for work, it is going to take many of them longer to find jobs.

The FSB program in this bill will provide a means for maintaining purchasing power for the long-term unemployed. In order to make the program as responsive as possible to our current economic conditions, the bill provides for a plan that can be implemented immediately upon enactment without the usual delays inherent in enacting an entirely new program. This is possible because of the new FSB program established by this bill is modeled after the permanent extended benefits program and the FSB program that was in effect during the recessionary years of 1975-1977. It is the Committee's intent that regulations modeled after the regulations for the previous FSB program would be issued by the Secretary of Labor immediately following enactment of this bill.

The FSB program in this bill differs from current State programs and the extended benefits program with regard to financing. Under present law, State benefits are financed out of State unemployment trust fund revenues, and benefits provided under the extended benefits program are financed fifty (50) percent from State trust funds and fifty (50) percent from Federal unemployment trust funds. The third tier of benefits provided in this bill, and any administrative cost resulting from these additional weeks of benefits, would be financed solely from Federal general revenues. This decision is in keeping with the financing method chosen by the Congress for FSB benefits paid under the previous program after April 1, 1977.

TABLE 2.—UNEMPLOYMENT COMPENSATION (UC) EXHAUSTION DATA

[In thousands]

A. U.S. TOTALS—NUMBER OF UC BENEFICIARIES WHO HAVE EXHAUSTED THEIR BENEFIT RIGHTS

1979			1980			1981			1982		
Reg.		EB	Reg.		EB	Reg.		EB	Reg.		EB
January.....	184	11	January.....	217	24	January.....	309	187	January.....	258	8.5
February.....	166	10	February.....	202	15	February.....	276	128	February.....	266	13.7
March.....	184	13	March.....	220	17	March.....	290	133	March.....	335	36.0
April.....	184	15	April.....	259	28	April.....	289	117			
May.....	182	31	May.....	242	74	May.....	240	95			
June.....	170	19	June.....	242	66	June.....	244	90			
July.....	150	13	July.....	298	67	July.....	247	48			
August.....	164	12	August.....	258	64	August.....	205	21			
September.....	140	11	September.....	259	139	September.....	207	22			
October.....	161	14	October.....	291	183	October.....	200	15			
November.....	161	12	November.....	259	146	November.....	203	14			
December.....	162	11	December.....	321	189	December.....	265	11			

B. PERCENT OF UC BENEFICIARIES WHO HAVE EXHAUSTED THEIR BENEFIT RIGHTS

1979		1980		1981		1982	
January.....	26.3	January.....	27.0	January.....	32.6	January.....	32.9
February.....	25.8	February.....	27.3	February.....	33.2	February.....	33.3
March.....	25.8	March.....	27.6	March.....	33.4	March.....	33.9
April.....	25.7	April.....	28.2	April.....	33.4		
May.....	25.9	May.....	28.6	May.....	33.6		
June.....	25.8	June.....	29.5	June.....	33.0		
July.....	25.7	July.....	30.3	July.....	32.9		
August.....	26.1	August.....	30.1	August.....	32.7		
September.....	26.3	September.....	32.3	September.....	32.2		
October.....	26.5	October.....	33.1	October.....	31.7		
November.....	26.6	November.....	32.8	November.....	32.1		
December.....	26.8	December.....	33.2	December.....	32.4		

*Title II: Aid to Families With Dependent Children (AFDC)
Program (Sections 201, 202, 203 and 204)*

1. Present Law

Prior to Federal amendments enacted in the 1960's, if an AFDC parent took a job, the family's AFDC benefits were reduced dollar-for-dollar by the amount of any earnings. In other words, there was no net financial gain from working. Furthermore, any work-related expenses—such as transportation and child day care costs, and mandatory tax and other wage deductions—could result in the family actually having *less* net or disposable income than if the parent did not work. In order to insure that taking a job would increase an AFDC family's disposable income, Federal amendments enacted in 1962 and 1967 required States to apply certain procedures (i.e., earnings disregards) in determining the monthly benefit level of an eligible AFDC family in which a member was employed. These amendments required that certain amounts of earnings not be counted against, or reduce the family's monthly AFDC benefit. That is, certain amounts of monthly earnings had to be disregarded in determining the AFDC payment so the family would have a higher amount of disposable income (wages minus work expenses plus AFDC benefits) because of the earnings; and, therefore, there would be a positive financial incentive for AFDC parents to seek employment.

Prior to enactment of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), in determining a working AFDC family's benefit level for a month, States were required to reduce the State monthly payment by the amount of the family's earnings that remained after the following amounts had been excluded or disregarded: (1) the first \$30 of earnings; (2) plus one-third of remaining earnings; (3) plus work expenses for the month (any expenses, including child day care, reasonably attributable to the earning of income). (The \$30 plus one-third disregards could be applied in determining the monthly benefit only if the family was determined to be eligible for AFDC without the application of these disregards.)

Several amendments contained in the Budget Reconciliation Act of 1981 virtually eliminated the financial incentive for AFDC parents to seek employment or, for those with jobs, to continue working. These amendments limited the disregard for work expenses to \$75 per month for full-time employment and capped the child care disregard at \$160 per month per child. The application of the \$30 plus one-third disregard was limited to only 4 consecutive months. States were required to assume a person with earnings was receiving the earned income tax credit (EITC) on an advance monthly basis, and reduce the family's benefits accordingly, even if the person was not receiving a monthly EITC. And, States were prohibited from paying AFDC to any family with a gross income (i.e. income, including earnings, without the application of any earned income disregards) above 150 percent of the State's standard of need, which in many States nullifies the effect of earned income disregards.

2. H.R. 6369

Section 201 would repeal the Reconciliation Act amendments summarized above. It would require States to apply a modified set of

earned income disregards that would restore to the AFDC program the financial work incentives that were eliminated by the 1981 Reconciliation Act amendments. Furthermore, it would make needed improvements in the disregard provisions that were in the law prior to the enactment of the Reconciliation Act by (1) increasing the \$30 per month disregard to \$50; (2) standardizing and limiting the work expense disregard at 20 percent of gross earnings (up to a maximum of \$175 per month); (3) maintaining the \$160 per child monthly ceiling on child care costs; and (4) maintaining the change in the order of the "one-third" disregard so that it applies only to earnings remaining after all other disregards have been applied.

Specifically, the provision would require States to disregard the following amount of earnings, in the following order:

(a) *Eligibility determination.*—In place of itemized work expenses, (1) 20 percent of gross earnings (monthly wages, salary or net earnings from self employment), plus the full amount of any costs incurred in producing self-employment income, up to a maximum of \$175; and (2) child care costs up to \$160 per child. If a family with earnings is determined to be eligible for AFDC with the application of these two disregards, the following disregards are applied to determine the family's benefit level for the month:

(b) *Benefit calculation.*—(1) \$50; (2) 20 percent of gross earnings (monthly wages, salary or net earnings from employment), plus the full amount of any costs incurred in producing self-employment income, up to \$175 per month; (3) child care costs up to \$160 per child per month; and (4) one-third of remaining earnings.

For two-parent AFDC families, the provision would allow States to limit the disregards to 20 percent of gross earnings (up to \$175 per month) for eligibility determination; and \$50 plus 20 percent of gross earnings (up to \$175 per month) for benefit calculation.

In addition to requiring these disregards, Section 201 of the bill would repeal the provisions of the Reconciliation Act that limit to 4 months the application of certain disregards. In other words, there would be no time limitation on the application of the one-third or any of the other disregards. Section 202 of the bill would repeal the Reconciliation Act provision that can nullify the effect of earned income disregards by limiting AFDC eligibility to families with gross incomes at or below 150 percent of the State standard of need. Section 203 would repeal the requirement that States assume those with earnings are receiving the earned income tax credit on a monthly basis. States would count as earned income only amounts a person actually receives due to the earned income tax credit. (Under current law, a refundable income tax credit (the earned income tax credit—EITC) is available to working parents with relatively low earnings. To receive a credit, individuals must file an income tax return at the end of the tax year and, if desired, may file an eligibility certificate with their employer in order to receive monthly advance payments of the credit with their paycheck.)

In oversight hearings on the AFDC and other changes enacted in the 1981 Budget Reconciliation Act, the Committee received testimony that the intended work incentive effect of the AFDC earned income disregards has been substantially eliminated. State officials, program recipients and others testified that it is now, because of the 1981 Reconciliation Act changes, financially advantageous for many work-

ing AFDC mothers to stop working and become totally dependent on welfare; and it is financially disadvantageous for many of those on AFDC to seek employment or accept jobs that might become available to them.

In other words, there are thousands of working AFDC mothers with children who have lost or could lose AFDC and Medicaid, or have experienced a substantial reduction in AFDC benefits, because of changes in the AFDC program mandated by the Omnibus Budget Reconciliation Act of 1981. These are women raising young children by themselves and working at the only jobs that are available to them, which are usually the lowest paying jobs in the country and which generally provide no health insurance protection.

Female headed families are the most poverty prone families in the country. Today more than half of the total number of poor families are maintained by women. They have a poverty rate six times that of male headed families. (The poverty rate for female headed families is 32 percent, as compared to 5 percent for male headed families.) Even in those female headed households with children under 18, where the mother is working, one-fourth had incomes below the poverty level in 1978.

According to the most recent information available to the Committee, prior to the 1981 Reconciliation Act changes one-half of the working AFDC mothers nationwide made less than \$400 a month, 70 percent earned less than \$500, and 90 percent had monthly earnings under \$700. Typically, these women were paid the minimum wage and worked as receptionists, waitresses, and hospital orderlies, nurse's aids or clerk-typists. Many of them worked part-time because they could not obtain necessary day-care for their young children. Two-thirds of these families had one or two children, and about one-half had a child under 7 years of age.

Because of the low wages they received, and the earned income disregards in prior law, they and their children were receiving small amounts of AFDC which made them eligible for Medicaid. Now, however, *because they are working*, and because of the changes in the AFDC program, many have lost eligibility for AFDC and the health insurance protection of Medicaid, or have had their AFDC benefits reduced substantially.

Tables 3 and 4 show the work disincentive effect of the changes mandated in the 1981 Reconciliation Act. Table 4 shows, for example, that under present law, a mother with two children in the State of Pennsylvania may receive a total of \$475 a month in combined food stamps and AFDC benefits. If she goes to work at the minimum wage (\$581 a month), and incurs child care costs of \$125 per month, her net disposable income will not be increased at all. In fact, it will be reduced by \$1. A mother in a similar situation in California will actually lose \$58 a month. The Congressional Budget Office estimates that, because of the work disincentives created by the 1981 Reconciliation Act, working mothers in 100,000 to 125,000 AFDC families will leave their jobs and go completely on welfare.

Information received by the Committee during its field hearings on the impact of the AFDC changes mandated by the 1981 Reconciliation Act, and statistics showing the large and increasing number of female headed families below poverty, raise the following questions:

1. Is it reasonable to eliminate financial incentives to work and at the same time espouse a goal of eliminating the cycle of welfare dependency?

TABLE 3.—COMPARISON OF MONTHLY BENEFIT AND DISPOSABLE INCOME AMOUNTS FOR A FAMILY OF 3 INDIVIDUALS WITH NO EARNINGS AND WITH EARNINGS EQUAL TO \$290 (HALF-TIME MINIMUM WAGE WORKER) UNDER PRIOR LAW, CURRENT LAW AND THE H.R. 6369—NO CHILD CARE

	Earnings=\$290 per month									
	No earnings		Prior law		Current law (1st 4 mo)		Current law (after 4 mo)		H.R. 6369	
	Need std.	AFDC	AFDC plus FS	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages
Alabama.....	384	118	301	434	0	432	0	432	0	432
Alaska.....	571	571	635	729	403	714	289	714	434	736
Arizona.....	233	202	377	471	34	456	0	432	65	478
Arkansas.....	234	140	323	434	0	432	0	432	0	432
California.....	506	506	590	684	338	669	224	589	369	650
Colorado.....	380	313	455	549	145	533	31	454	176	555
Connecticut.....	498	498	584	678	330	663	216	583	361	685
Delaware.....	266	266	422	516	98	501	0	432	129	522
District of Columbia.....	586	300	445	540	132	642	18	445	153	546
Florida.....	209	209	382	476	41	461	0	432	72	482
Georgia.....	366	183	364	455	15	442	0	432	46	484
Hawaii.....	468	468	563	657	300	642	186	562	331	664
Idaho.....	554	305	449	543	137	528	23	448	168	550
Illinois (Cook County).....	486	447	447	541	134	526	20	446	165	548
Indiana.....	307	255	414	523	108	508	0	432	139	523
Iowa.....	360	360	488	582	192	566	78	487	223	588
Kansas.....	353	353	483	577	185	561	71	482	216	583
Kentucky.....	188	188	367	461	20	446	0	432	51	468
Louisiana.....	188	188	367	461	20	446	0	432	51	468
Maine.....	505	190	368	463	22	447	0	432	53	469
Maryland.....	415	301	446	540	133	525	19	445	154	547
Massachusetts.....	373	270	425	519	102	503	0	432	133	525
Michigan.....	379	379	501	595	211	580	97	500	242	601
Washington County.....	462	423	532	626	255	610	141	531	286	633
Wayne County.....	432	395	512	606	227	591	113	511	258	612

TABLE 3.—COMPARISON OF MONTHLY BENEFIT AND DISPOSABLE INCOME AMOUNTS FOR A FAMILY OF 3 INDIVIDUALS WITH NO EARNINGS AND WITH EARNINGS EQUAL TO \$290 (HALF-TIME MINIMUM WAGE WORKER) UNDER PRIOR LAW, CURRENT LAW AND THE H.R. 6369—NO CHILD CARE—Continued

	Earnings — \$290 per month										
	Need std.	No earnings		Prior law		Current law (1st 4 mo)		Current law (after 4 mo)		H.R. 6369	
		AFDC	AFDC plus FS	AFDC	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages		
Minnesota	446	446	548	297	642	278	627	164	547	309	646
Mississippi	220	220	390	71	484	52	468	0	432	83	490
Missouri	312	248	409	99	503	80	488	0	432	111	510
Montana	370	306	450	157	544	138	529	24	449	169	550
Nebraska	350	350	480	201	575	182	559	68	480	213	581
Nevada	285	271	425	122	519	103	504	0	432	134	526
New Hampshire	326	326	464	177	558	158	543	44	463	189	564
New Jersey	360	360	487	211	582	192	566	78	487	223	588
New Mexico	233	233	399	84	493	65	478	0	432	96	495
New York	507	507	590	358	685	339	669	225	590	370	691
New York (Suffolk County)	424	424	532	275	626	256	611	142	531	287	633
North Carolina	384	370	464	24	449	24	449	0	432	55	585
North Dakota	357	357	486	208	580	189	564	75	484	220	586
Ohio	431	263	420	114	514	95	499	0	432	126	520
Oklahoma	282	282	433	133	527	114	512	0	432	145	534
Oregon	339	339	473	190	567	171	552	57	472	202	573
Pennsylvania	332	332	468	183	562	164	547	50	467	195	569
Rhode Island	453	453	553	304	647	285	632	171	552	316	653
South Carolina	187	187	366	38	461	19	445	0	432	467	561
South Dakota	321	321	460	172	554	153	539	39	459	184	561
Tennessee	179	122	305	0	434	0	432	0	432	0	432
Texas	168	118	301	0	434	0	432	0	432	0	432
Utah	536	367	492	218	587	199	571	85	491	230	593
Vermont	734	506	590	357	684	338	669	224	589	369	690
Virginia	344	310	452	161	547	142	531	28	452	173	553
Washington	670	451	551	302	645	283	630	169	550	314	652
West Virginia	275	206	380	57	474	38	459	0	432	69	480
Wisconsin	556	473	567	324	661	305	646	191	566	336	667
Wyoming	360	360	488	211	582	192	566	78	487	223	588
Guam	255	255	414	106	508	87	493	0	432	118	515
Puerto Rico	180	90	273	0	432	0	432	0	432	0	432
Virgin Islands	209	209	382	60	476	41	461	0	432	72	482

Note: The 2d and 3d columns reflect AFDC and AFDC plus food stamp amounts for families with no earnings. These amounts are the same under prior law, current law and the H.R. 6369. The columns labeled "AFDC plus FS plus Net Wages" are the sum of the AFDC, food stamp benefits, the assumed earnings of \$290 per month, an earned income tax credit of \$29 minus payroll taxes of \$19 and transportation expenses of \$25 per month. An excess food stamp shelter deduction of \$50 per month is assumed.

TABLE 4.—COMPARISON OF MONTHLY BENEFIT AND DISPOSABLE INCOME AMOUNTS FOR A FAMILY OF 3 INDIVIDUALS WITH NO EARNINGS AND WITH EARNINGS EQUAL TO \$581 (FULL-TIME MINIMUM WAGE WORKER) UNDER PRIOR LAW, CURRENT LAW AND THE H.R. 6369 CHILD CARE EXPENSES OF \$125 PER MONTH ARE ASSUMED

	Earnings—\$581 per month									
	No earnings		Prior law		Current law (1st 4 mo)		Current law (after 4 mo)		H.R. 6369	
	AFDC	AFDC plus FS	AFDC	AFDC plus FS net wages	AFDC	AFDC plus FS net wages	AFDC	AFDC plus FS net wages	AFDC	AFDC plus FS net wages
Alabama.....	118	301	0	478	0	474	0	474	0	474
Alaska.....	571	643	413	767	316	695	158	585	361	727
Arizona.....	202	384	414	509	0	474	0	474	0	474
Arkansas.....	140	323	0	478	0	474	0	474	0	474
California.....	506	597	348	722	251	650	93	539	296	681
Colorado.....	313	462	155	584	58	515	0	474	103	546
Connecticut.....	498	592	340	716	243	644	85	536	288	676
Delaware.....	266	429	108	554	11	482	0	474	56	513
District of Columbia.....	300	453	142	577	45	506	0	474	90	537
Florida.....	209	389	51	514	0	474	0	474	0	474
Georgia.....	183	366	25	496	0	474	0	432	46	464
Hawaii.....	468	571	310	695	213	623	55	513	258	655
Idaho.....	305	457	147	581	50	509	0	474	95	540
Illinois (Cook County).....	302	454	144	579	47	507	0	474	92	538
Indiana.....	255	422	118	561	0	474	0	474	66	520
Iowa.....	360	495	202	619	105	548	0	474	150	579
Kansas.....	353	490	195	614	98	543	0	474	143	574
Kentucky.....	188	371	30	499	0	474	0	474	22	489
Louisiana.....	190	373	32	500	0	474	0	474	0	474
Maine.....	301	454	143	578	46	506	0	474	91	538
Maryland.....	270	432	112	556	15	485	0	474	60	516
Massachusetts.....	379	508	221	633	124	561	0	474	169	592
Michigan.....										
Washtenaw County.....	423	539	265	664	168	592	10	481	213	623
Wayne County.....	395	520	237	644	140	572	0	474	185	604
Minnesota.....	446	552	288	680	191	608	33	497	236	639
Mississippi.....	220	397	0	521	0	474	0	474	10	481
Missouri.....	248	416	90	541	0	474	0	474	38	501
Montana.....	306	457	148	582	51	510	0	474	96	541
Nebraska.....	350	488	192	612	95	540	0	474	140	572
Nevada.....	271	433	113	557	16	485	0	474	61	517
New Hampshire.....	326	471	168	596	71	524	0	474	116	555

TABLE 4.—COMPARISON OF MONTHLY BENEFIT AND DISPOSABLE INCOME AMOUNTS FOR A FAMILY OF 3 INDIVIDUALS WITH NO EARNINGS AND WITH EARNINGS EQUAL TO \$581 (FULL-TIME MINIMUM WAGE WORKER) UNDER PRIOR LAW, CURRENT LAW AND THE H.R. 6369 CHILD CARE EXPENSES OF \$125 PER MONTH ARE ASSUMED—Continued

	Earnings—\$581 per month										H.R. 6369
	No earnings		Prior law		Current law (1st 4 mo)		Current law (after 4 mo)		AFDC plus FS plus net wages		
	AFDC	AFDC plus FS	AFDC	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages	AFDC	AFDC plus FS plus net wages	
New Jersey.....	360	495	202	619	105	548	0	474	150	579	
New Mexico.....	233	406	75	531	0	474	0	474	23	490	
New York (Suffolk County).....	507	598	349	722	252	650	94	540	297	682	
New York City.....	424	540	266	664	169	592	11	482	214	624	
North Carolina.....	192	375	34	502	0	474	0	474	0	474	
North Dakota.....	357	493	199	617	102	545	0	474	174	577	
Ohio.....	263	427	105	551	0	474	0	474	53	511	
Oklahoma.....	282	440	124	565	27	493	0	474	72	524	
Oregon.....	339	480	181	605	84	533	0	474	129	564	
Pennsylvania.....	332	475	174	600	77	528	0	474	122	560	
Rhode Island.....	453	560	295	685	198	713	40	502	243	644	
South Carolina.....	187	370	29	498	0	474	0	474	0	474	
South Dakota.....	321	468	163	592	66	520	0	474	111	552	
Tennessee.....	122	305	0	478	0	474	0	474	0	474	
Texas.....	118	301	0	478	0	474	0	474	0	474	
Utah.....	367	500	209	624	112	552	0	474	157	584	
Vermont.....	506	597	348	722	251	650	93	539	296	681	
Virginia.....	310	460	152	582	55	512	0	474	100	544	
Washington.....	451	559	293	683	196	611	38	501	241	643	
West Virginia.....	206	387	48	512	0	474	0	474	0	474	
Wisconsin.....	473	574	315	698	281	627	60	516	263	658	
Wyoming.....	360	495	202	619	105	548	0	474	150	579	
Guam.....	255	422	97	546	0	474	0	474	54	506	
Puerto Rico.....	90	273	0	478	0	474	0	474	0	474	
Virgin Islands.....	209	389	51	514	0	474	0	474	0	474	

Note: The 1st 2 columns reflect AFDC and AFDC plus food stamp amounts for families with no earnings. These amounts are the same under prior law, current law and the H.R. 6369. The columns labeled "AFDC plus FS plus Net Wages" are the sum of the AFDC, food stamp benefits, the assumed earnings of \$581 per month, an earned income tax credit of \$32 minus payroll taxes of \$39 and transportation expenses of \$50 per month. An excess food stamp shelter deduction of \$115 per month is assumed.

2. Should not Federal policy support working poor, female headed families who, with some public assistance, are in a better position to contribute to their family's income and work toward the possibility of higher earnings and a better living for their family?

The Committee has also heard from some States that the AFDC changes made by the Reconciliation Act could result in increased AFDC costs. For example, information provided to the Committee on the AFDC program in the State of Utah indicates that, for the three month period from December 1, 1981 to February 25, 1982, there was a significant decline in the number of working AFDC recipients and an increase in monthly program payments of \$57,403. According to this information, a particularly sharp reduction occurred in the number of mothers with young children who were working. Between December 1 and February 25, the number of working AFDC recipients with children under age 6 declined by 40 percent. (The paper produced by the Utah State Department of Social Services from which this information was taken, entitled "Welfare Work Incentive/Disincentive Impact of Federal Fiscal Years 1982 and 1983 Changes" is included at the end of this section.)

It is the position of the Committee that you cannot expect AFDC families to be able to work if there is little or no financial gain. The earned income disregards required by H.R. 6369 are based on the premise that there should be a financial incentive for those who are receiving aid to take advantage of the job opportunities available to them and to work to the full extent of their capabilities. The financial incentives to work provided under the Committee bill are demonstrated in the last columns of Tables and 3 and 4.

The AFDC disregards in H.R. 6369 provide the greatest financial incentive for individuals in part time and full-time entry-level, minimum wage jobs: those jobs that are most likely to be available to members of AFDC families. In addition, by capping the work expense disregard at the lower of 20 percent of gross earnings or \$175 per month and applying the one-third work incentive disregard to net rather than gross earnings, these disregards correct the major problems with the disregards that were in effect prior to the 1981 Reconciliation Act. Compared with prior law, the disregards in H.R. 6369 significantly lower the amount of earnings a family can have and still remain eligible for AFDC, while at the same time, they provide a substantial financial incentive for AFDC parents to take part-time and full-time minimum wage jobs.

H.R. 6369 would also assure that participation by an AFDC youth in a Comprehensive Employment and Training Act (CETA) youth program would not affect the family's AFDC eligibility or benefit amount. Under present law, youths who do not meet the AFDC definition of "student" may cause the family benefit to be reduced or terminated as the result of their participation in a CETA youth program. The Committee bill would specifically require the States to disregard any income and allowances received by an AFDC youth as the result of participation in a youth program under title IV of CETA or under corresponding provisions of a successor statute. Title IV includes the Job Corps, summer youth, and other special programs for youth. The provision of the bill which repeals the 150 percent gross income limita-

tion would further preclude the possibility that income derived from participation in a CETA youth program would affect the family's AFDC eligibility.

Under present law, income received by an AFDC household is counted as income in determining eligibility for and the amount of assistance unless such income is specifically excluded from being counted. In the past, the Department of Health and Human Services has not required that certain State payments be considered income for purposes of determining AFDC eligibility or amount of benefits. These are payments that have been financed wholly from State funds to meet needs of children receiving AFDC which are not met by the regular AFDC payment.

Prior to the Omnibus Budget Reconciliation Act of 1981, payments received by an AFDC unit were usually considered as income only in the month of receipt. Section 2304 of the Reconciliation Act required that countable income be considered as income not only in the month it is received, but also in future months. Thus, if such countable income in a month exceeds the standard of need, such income is applied in determining eligibility for, or the amount of, benefits in future months.

Section 204 clarifies that totally State financed payments to AFDC children, that are provided to meet certain needs of the children and have been provided by the State on a continuous basis since before January 1, 1979, will continue to be excluded from income for purposes of determining eligibility for or the amount of the families' AFDC benefits. Furthermore, such State payments will not be counted as income in applying the provisions enacted under Section 2304 of the Omnibus Budget Reconciliation Act of 1981.

UTAH STATE DEPARTMENT OF SOCIAL SERVICE

(Andrew L. Gallegos, Executive Director)

WELFARE WORK INCENTIVE/DISINCENTIVE IMPACT OF FEDERAL FISCAL YEAR 82 AND 83 CHANGES

The major goal of a sound public assistance program is to provide needed assistance to households while they become economically self sufficient. The primary objective is to help welfare recipients attain long-term self-sufficiency and economic independence. In other words, assistance is intended to be a temporary support system for individuals who are potentially employable if provided necessary help and assistance.

History of Public Assistance and Work Efforts in Utah from 1970-1980

With this goal in mind, Utah succeeded in reducing the percent of the State's population receiving AFDC assistance from 4 percent to 2.3 percent over the last decade. Although program changes and reductions in certain groups of AFDC eligibility can account for part of the reduction, the state attributes much of this success to Utah's work

initiatives. These initiatives have provided essential assistance to recipients who wanted to work so they could gain the financial and social rewards from working. An essential element in this effort was the availability of work incentives that were built into assistance programs. These incentives—such as the \$30 and one-third earned income disregard—allowed recipients to enter the labor force while still receiving some assistance so they could adjust to the demands of self-sufficiency. Thus the route to self-sufficiency included a stage of total dependence on welfare, and a period of partial dependency linking worker and critical support services necessary during a transition period.

Recent federal changes have seriously jeopardized Utah's ability to continue this successful work effort. The changes threaten to close the door to upward mobility and self-sufficiency for the growing number of poor families headed by women.

Fiscal Year 1982 Changes Affecting Work Efforts and Self-Sufficiency

As part of last year's Federal budget decisions, a number of changes were made in the Aid to Families with Dependent Children (AFDC) and Food Stamp programs. The biggest change that affected work efforts and self-sufficiency is a four-month limit on the \$30 + $\frac{1}{3}$ rd earned income disregard. With the imposition of this limit, a work incentive for AFDC recipients was eliminated leaving only a flat \$75 deduction for full-time work. In most cases the \$75 deduction does not equal actual mandatory payroll deductions and work expenses.

Following enactment of the four-month limit on the \$30 + $\frac{1}{3}$ rd, both the Governor of the State of Utah and the Utah Legislature urged the Federal Administration and Congress to either remove the limit or provide latitude to the State on how long the \$30 + $\frac{1}{3}$ rd work incentive could be provided. The Governor and the Legislature, community groups, and welfare recipients themselves were very concerned that the limit on work incentive would hinder Utah's successful "Jobs as an Alternative to Welfare" effort, sharply reduce work incentives and result in greater rather than lower welfare expenditures.

Preliminary data indicates that these concerns and fears regarding the effect of the four-month limit on the \$30 + $\frac{1}{3}$ rd work incentive were correct.

Effect of \$30 + $\frac{1}{3}$ rd Cut-Off on Work Effort

In conjunction with implementation of the four-month limit on the \$30 + $\frac{1}{3}$ rd, on January 31, 1982, there was a sharp decline in AFDC cases with earned income. After \$30 + $\frac{1}{3}$ rd case closures and reductions are accounted for, the data shows an additional decline of 255 working recipients causing an increase in grant payments of \$57,403 because fewer recipients are working. This net decline occurred in the three-month period from December 1, 1981 to February 25, 1982.

TABLE 1.—THIS TABLE SHOWS THE IMPACT OF THE 4-MONTH LIMIT ON THE \$30 PLUS $\frac{1}{4}$ INCOME DISREGARD

	Dec. 1, 1981	Feb. 25, 1982	Difference	
Earned income cases:				
Total cases with earned income.....	1,472	975		-497
Cases closed due to loss of \$30 plus $\frac{1}{4}$ d (less 8 reopened cases as of Mar. 8, 1982).....				-242
Net reduction in AFDC earned income cases (work effort).....				-255
	Dec. 1, 1981	Feb. 25, 1982	Savings to the State	Cost to the State
Grant payments:				
Grant reductions per month due to earned income.....	\$287,203	\$163,300		\$123,903
Grant reductions and grant closures due to loss of \$30 plus $\frac{1}{4}$ d as of Mar. 8, 1982.....			\$66,500	
Net increase in AFDC costs.....				57,403

An analysis by type of earned income cases shows a particularly sharp reduction in the number of working mothers with young children. Between December 1 and February 25 the number of working AFDC recipients with children under age 6 declined by 40 percent.

We do not know whether the additional decline of 255 AFDC cases with earned income is the result of fewer AFDC recipients starting work or the result of more recipients quitting work or losing their job. Basically what we know is that the unusual drop in the number of cases with earned income occurred simultaneously with the changes.

Proposed Fiscal Year 1983 Changes Affecting Work Efforts and Self-Sufficiency

The Federal Administration's proposals for fiscal year 1983 would institute even further work disincentives through changes in the food stamp program, Medicaid program, and programs designed to aid recipients in necessary training, jobs, and day care. The proposals expected to adversely affect Utah's work effort include:

1. *Abolishing the Food Stamp Earned Income Deduction.*—Currently 18 percent of gross earnings are deducted in figuring food stamp benefits to compensate for taxes and work related expenses. This deduction was reduced last year and is already less than the actual taxes and work expenses of many working food stamp families.

Abolishing this deduction will result in dramatic benefit reductions for the working poor. Failing to provide an earned income deduction, and basing benefits on gross earnings, is equivalent to assuming that funds withheld for taxes or used for work expenses are actually available for food. Working families will get fewer stamps than those who have the same level of disposable income but do not work.

2. *Raising the Food Stamp "benefit reduction rate" from 30-35 percent.*—Food stamp benefits are based on the differ-

ence between 30 percent of disposable income and the "Thrifty Food Plan" (a ceiling for Food Stamp benefits). The assumption is that 30 percent of a family's disposable income is available for food purchases.

The administration's proposal would increase the deduction from 30 percent to 35 percent. The result would be fewer food stamps for families, especially working poor families. A working family of three with earned income of \$600/mo. that now receives \$68 in food stamps would receive \$48 in food stamps. This is a cut of almost one-third. The combined effect of the two food stamp proposals would be devastating. The above working family with a gross income of \$600 would have their food stamps cut from \$68 to \$8.

3. *Shortening the four-month extension of Medicaid benefits to one month when a welfare recipient terminates AFDC due to increased earnings.*—Under current regulations, an AFDC family is eligible for Medicaid benefits while on welfare and for four months after the family leaves AFDC due to increased earnings. This four-month extension provides a bridge between Medicaid coverage while on public assistance and the high cost of medical care or insurance. This bridge is especially important if there are family members with severe and/or chronic health problems. It may be impossible for a former recipient to cover medical expenses for some time after terminating AFDC. Low wage jobs often lack health coverage for dependents. The four-month extension provides medical assistance during this time of transition.

Under this proposal working mothers off AFDC only one month could face health care costs so large that they could be forced to seek AFDC assistance again in order to receive Medicaid benefits.

4. *Reducing the Federal match for optional Medicaid services.*—The regular Medicaid program provides health care coverage for AFDC families. The Medical Assistance Only (MAO) program provides medical assistance to non-welfare working poor families. The administration proposes to raise the states share of the cost for this program. This could jeopardize the MAO program. States would have to find more money to run the program or discontinue it. If the State of Utah eliminated the MAO program approximately 1,700 people would be without medical coverage. Many of these people are members of working poor families. If health costs got too high for some working families to handle, AFDC with its accompanying Medicaid coverage could be the only option for a mother concerned with the health of her child.

5. *Elimination of the work incentive (WIN) program.*—The fiscal year 1983 budget would totally eliminate the Work Incentive (WIN) program. This year WIN has provided child care for 610 AFDC recipients, intensive job search assistance to 3,780, skill training for 1,072 on-the-job training

for 140, and work experience for 176. Termination of the program will mean that next year about 5,500 AFDC households attempting to become self-sufficient will not receive necessary help.

6. *Reductions in available day care services.*—Child care has been identified as the single most critical need for AFDC recipients seeking work. Since 67 percent of the children of AFDC families are under age 9, this is a key issue. Elimination of the WIN program would cost Utah 614 child care slots. The proposed 20 percent cut in the Social Services Block Grant, if applied equally across all purchased services, would mean the loss of an additional 800 slots. The \$140–\$150 per month cost of child care makes it nearly impossible for low-wage workers to remain self-sufficient without some assistance paying for this service.

CONCLUSION

It is clear from Utah's past experience, and from careful analysis of this year's results, that implementation of these changes will mean increasing AFDC rolls, further welfare dependency, and greater program costs. Everyone loses. Decision-makers interested in decreasing welfare costs and encouraging work as opposed to welfare should:

1. Restore the \$30+1/3rd program.
2. Reject the proposed changes which discourage self-sufficiency.
3. Ask for a Special Congressional hearing to examine the impact of existing and proposed work disincentives.

EFFECT OF 1982 CHANGES AND PROPOSED 1983 CHANGES ON AN AVERAGE UTAH AFDC HOUSEHOLD

[Mother, 2 children—1 under age 6]

	Recipient	Working recipient		
		Before 1982 changes	1982 changes	1983 proposed changes
Gross earned income ¹	0	\$432	\$432	\$432
AFDC grant.....	\$367	215	0	0
Food stamps ²	110	40	116	52
Gross income.....	477	687	548	484
Work expenses ³		-50	-50	-50
Taxes plus FICA withholding.....		-40	-40	40
Medical expenses ⁴	0	0	0	0
Day care expenses (fee) ⁵	0	0	0	0
Net (spendable) income.....	477	597	458	394
Percent of poverty level (\$589).....	81	101	78	67
Percent of State standard needs budget (\$532).....	90	112	86	74

¹ The average gross earned income of working AFDC recipients as of August 1981.

² Food stamp calculations. Shelter costs were assumed to be \$180.

³ Estimated average costs of working including transportation, special clothing, etc.

⁴ Medical expenses. The household continues to be eligible for Medicaid assistance and, thus, has only incidental medical expenses.

⁵ Day care expenses. The household is eligible for State day care services with no fee.

EFFECT OF 1982 CHANGES AND PROPOSED 1983 CHANGES ON AN AVERAGE UTAH AFDC HOUSEHOLD

(Mother, 2 children—1 under age 6)

	Recipient	Working recipient		
		Before 1982 changes	1982 changes	1983 proposed changes
Gross earned income ¹	0	\$583	\$583	\$583
AFDC grant.....	\$367	110	0	0
Food stamps ²	110	36	65	0
Gross income.....	477	729	648	583
Work expenses ³		-50	-50	-50
Taxes plus FICA withholding.....		-82	-82	82
Medical expenses ⁴	0	0	-50	-50
Day care expenses (fee) ⁵	0	0	-22	-22
Net (spendable) income.....	477	597	444	379
Percent of poverty level (\$589).....	81	101	75	64
Percent of State standard needs budget (\$532).....	90	112	83	71

¹ Works full time (174 hrs./mo.) at minimum wage (\$3.35/hr.).² Food stamp calculations. Shelter costs were assumed to be \$180.³ Estimated average costs of working including transportation, special clothing etc.⁴ Medical expense. The household is eligible for Medicaid assistance prior to 1982 changes and, thus, has only incidental medical expenses. The figure of \$50 assumes that the mother is provided health insurance by the employee at no cost but has to pay for medical services for the children.⁵ Day care expenses. The household is eligible for state day care services with no fee prior to 1982 changes. As a result of 1982 changes which terminate the grant, she comes under the State sliding fee schedule.

Col. 1. Nonworking recipient. Eligible for maximum grant of \$367.

Col. 2. Working recipient prior to 1982 changes.

Col. 3. Working recipient after 1982 changes including: (a) for AFDC, standardization and reduction in work expense deduction, elimination of \$30 plus $\frac{1}{2}$ after 4 months, and counting of earned income tax deduction on a monthly basis, and (b) for food stamps, reduction in earned income disregard from 20 to 18 percent of gross income. Note, during the 1st 4 months of earned income, the recipient would be eligible for the \$30 plus $\frac{1}{2}$ earned income deduction and, as a result, a small AFDC grant. The calculations show AFDC grant amount and net income after 4 months.

Col. 4. Working recipient under 1983 proposed changes by the administration including: (a) for AFDC, no changes since already ineligible, and (b) for food stamps, elimination of earned income deduction, counting of energy assistance as income, with average amount of \$313 annually, and reduction in food stamp benefits by 35 cents for each additional dollar.

*Title III: Taxation of Unemployment Compensation (sec. 301 of the bill and sec. 85 of the Internal Revenue Code)***Present law**

Under present law, a portion of unemployment compensation benefits paid pursuant to government programs may be included in the recipient's gross income. The amount of unemployment compensation that is included in adjusted gross income generally is limited to one-half of the excess of (1) the sum of the taxpayer's adjusted gross income, all unemployment compensation paid pursuant to government programs, all disability income of the type eligible for exclusion from income (under Code sec. 105(d)), and the amount allowed under the deduction for two-earner married couples over (2) the taxpayer's base amount.

The base amount is \$25,000 in the case of a married individual filing a joint return; zero in the case of a married individual filing a separate return (unless he or she lived apart from his or her spouse for the entire taxable year); and \$20,000 in the case of all other individuals.

An individual may be subject to an estimated tax penalty to the extent that estimated tax payments and withholding for a taxable year are less than 80 percent of actual tax liability for that year.

Reasons for change

Although the committee believes that the increases in outlays for unemployment compensation and AFDC attributable to Titles I and II of the bill are necessary, it also believes that the current budget situation requires that the committee bill should not increase the budget deficit. Thus, in order to increase fiscal year 1983 revenues by an amount approximately equal to the increased outlays for that year, the bill lowers the income thresholds which determine the amount of unemployment compensation includible in adjusted gross income. By extending the duration of unemployment benefits for those who cannot find work, while simultaneously increasing the taxation of benefits for those who have substantial amounts of other income during the year, the committee believes that the bill improves the targeting of available resources to those who are most in need.

Explanation of provision

The bill reduces the base amounts for purposes of computing the amount of unemployment compensation included in adjusted gross income from \$20,000 to \$12,000 for single taxpayers and from \$25,000 to \$18,000 for married taxpayers filing joint returns.

Effective date

General rule.—The provision will apply to payments of unemployment compensation made after December 31, 1981, in taxable years ending after that date.

Special rule for underpayment of estimated tax.—An individual will not be penalized for an underpayment of estimated tax to the extent that the underpayment is attributable to the inclusion in income of unemployment compensation received during 1982 that, but for the amendment lowering the base amounts, would not have been includible in income.

Special rule for fiscal year taxpayers.—A fiscal year taxpayer whose taxable year includes January 1, 1982 will take into account the entire amount of unemployment compensation received during the fiscal year for purposes of determining how much to include in income. However, the increase in adjusted gross income for that fiscal year which can occur as a result of this title of the bill will be limited to the amount of unemployment compensation paid after December 31, 1981.

Revenue effect

The provision will increase fiscal year receipts by \$696 million in 1983, \$686 million in 1984, \$611 million in 1985, \$618 million in 1986, and \$650 million in 1987.

IV. BUDGET EFFECTS OF THE BILL

1. Committee Estimate

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made: the Com-

mittee agrees with the cost estimate prepared by the Congressional Budget Office which is included below, and provides the following explanation of the difference between the Congressional Budget Office and the Department of Health and Human Services estimates of the AFDC earnings disregards amendments contained in the bill.

EXPLANATION OF DIFFERENCES BETWEEN HHS AND CBO IN ESTIMATING THE IMPACT OF AFDC EARNINGS DISREGARDS

HHS and CBO estimates of the impact of the earnings disregard provisions differ primarily due to disagreement about how this provision will affect the earnings of AFDC recipients. This also accounts for most of the difference in cost. The other reasons are technical differences in the way these provisions were simulated on the sample of AFDC recipients.

The actual difference in the cost estimate for the committee proposal is shown in the table below.

[In fiscal year, in millions]								
	CBO				HHS			
	1983	1984	1985	1986	1983	1984	1985	1986
AFDC.....	100	130	155	155	300	305	308	314
Food stamps...	-46	-60	-70	-70	-155	-158	-160	-163
Medicaid.....	15	40	55	60	170	187	215	234
Total..	69	110	140	145	315	334	363	385

Thus, the total difference in budgetary cost for fiscal year 1983 between the two proposals is \$246 million. This closely parallels the difference in the savings due to the earnings disregard provisions in the 1981 Reconciliation Act. Not including the impact upon medicaid and food stamps, CBO estimated AFDC savings of \$156 million and HHS estimated savings of \$397 million. Both HHS and CBO agree that the Committee proposal will reduce costs compared with prior law.

HHS assumes there will be no net change in the earnings of AFDC recipients as a result of the Reconciliation Act. Families whose earnings are above the new eligibility levels will continue to earn the same despite the fact that disposable income may increase or decrease only slightly as a result of quitting and receiving full AFDC benefits. CBO assumes that because many families will receive no additional net income or very small amounts of net income from working, roughly 1/3 of those families losing eligibility as a result of the earnings disregard provisions in the Reconciliation Act will stop working and their AFDC checks will increase (which increases government cost) and thus offset many of the savings from the other two-thirds of the caseload who continue

to work and receive smaller or no AFDC checks as a result of the changes in law.

HHS maintains (although has not estimated the impact) that because of the tighter requirements in the Reconciliation Act, fewer families will be attracted to the AFDC rolls compared with prior law. They believe that the subcommittee proposal would attract more non-welfare families onto the rolls. CBO makes no estimate of this impact because the initial eligibility requirements between prior and current law and the Committee proposal are essentially the same.

Much of the medicaid cost difference also stems from the difference in labor supply behavior. HHS estimates that approximately 210,000 families will be added to the AFDC rolls of which 150,000 families will result in additional medicaid cost (the other 65,000 even though not receiving AFDC, would be receiving medicaid through the medically needy program.) CBO estimates 85,000 families will be added to the AFDC rolls of which 40,000 families result in additional medicaid cost (due to the existence of the medically needy program and the existence of employer provided health insurance for some AFDC recipients). The average federal cost per family is around \$1,200. The difference between 210,000 and 85,000 families are the 80,000 (1/3 who quit work referred to above) families who quit work and remained on the AFDC rolls under the CBO assumptions, approximately 15,000 families who lose eligibility under the committee proposal relative to prior law whereas HHS simulations estimate only a small difference between prior law and the committee proposal, and the remaining 30,000 families as being technical difference in the simulation models.

SUMMARY OF MEDICAID DIFFERENCE

	CBO	HHS
Families impacted by Reconciliation Act relative to prior law.....	225,000	255,000
Less number of families under prior law who are ineligible under both the Committee proposal and the Reconciliation Act.....	60,000	45,000
Less number of families who quit work and remain on AFDC.....	80,000	0
Equals new families.....	85,000	210,000

Summarizing, CBO assumes the Reconciliation Act saved \$156 million in AFDC costs and the Committee proposal will cost \$100 million relative to current law. HHS assumes the Reconciliation Act saved \$397 million in AFDC costs and that the Committee bill will cost \$300 million relative to current law. The difference is due to different estimates of how families will respond to the reconciliation changes.

It is the Committee's position that the CBO estimate, which assumes the 1981 Reconciliation Act AFDC changes have reduced the incentives for AFDC recipients to work, is more accurate than the estimate prepared by HHS.

2. Statement Regarding New Budget Authority and Tax Expenditures

With respect to clause 2(1) (3) (B) of rule XI of the Rules of the House, the Committee advises that the required information pertaining to new budget authority or new or increased tax expenditures, to the extent applicable to this bill, is contained in the Congressional Budget Office cost estimate included below.

3. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 2(1) (3) (C) of rule XI, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by the Congressional Budget Office is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 25, 1982.

HON. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 6369, a bill to provide a program of Federal supplemental unemployment compensation, and for other purposes.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

RAYMOND C. SCHEPPACH
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 6369.
2. Bill title: A bill to provide a program of Federal supplemental unemployment compensation, and for other purposes.
3. Bill status: As ordered reported by the House Ways and Means Committee, May 20, 1982.
4. Bill purpose: This bill would provide up to 13 additional weeks of unemployment compensation to those individuals who exhaust all weeks of State and extended benefits. Such additional weeks would be payable only in those States where extended benefits are being paid. It would authorize a total of \$13 million to finance the administrative costs arising from the payment of such additional benefits. Further, it would lower the income thresholds above which unemployment compensation benefits are taxable from \$20,000 to \$12,000 for a single return and from \$25,000 to \$18,000 for a joint return.

In the Aid to Families With Dependent Children (AFDC) program, the bill would increase the earnings disregards. In addition, it would repeal the gross income limitation in the program, alter the way in

which the Earned Income Tax Credit is counted as income, and exclude from countable income certain CETA earnings of children.

5. Cost estimate: This bill would result in additional future liabilities through an extension of existing entitlements that would require subsequent appropriation action to provide the necessary budget authority. The figures shown as "Required Budget Authority" represent an estimate of the additional budget authority needed to cover the estimated outlays that would result from enactment of H.R. 6369.

In addition, there is an explicit authorization level to finance the administrative costs arising from the payment of the additional weeks of unemployment compensation. The estimate assumes that these authorization levels are fully appropriated.

The total budgetary impact of this bill is shown in the following table, with a more detailed analysis following below.

[By fiscal year, in millions of dollars]

	1982	1983	1984	1985	1986	1987
New entitlement authority:						
Required budget authority.....	287	622	112	142	147	152
Estimated outlays.....	284	625	112	142	147	152
Amounts subject to appropriation action:						
Authorization level.....	5	8				
Estimated outlays.....	5	8				
Revenues: Estimated revenues.....		696	686	611	618	650
New budget impact: ¹ Net increase to deficit.....	289	-63	-574	-469	-471	-498

¹ Net budget impact is estimated outlays minus revenues.

The costs of this bill fall within budget functions 550 and 600.

6. Basis of estimate:

Title I

This title would provide for the payment of 13 additional weeks of unemployment compensation to those individuals in high unemployment states who have exhausted all state and extended benefits. In addition, it would authorize \$13 million to finance the administrative costs of this program.

[By fiscal year, in millions of dollars]

	1982	1983	1984	1985	1986	1987
Estimated outlays:						
Unemployment benefits.....	315	627				
AFDC.....	-11	-23				
Food stamps.....	-20	-50				
New authorization.....	5	8				
Total outlays.....	289	562				

The fiscal impact of the federal supplemental compensation provision was estimated using the CBO baseline forecast of those states which would be paying extended benefits during the period in which this program is scheduled to be in effect. It was assumed that the program would be in effect as of July 1, 1982. Since the costs of this program depend critically upon the number of states paying extended

benefits, a different implementation date could considerably alter fiscal year 1982's estimated fiscal impact.

The food stamp and AFDC offsets would be generated by the fact that some of those persons who exhaust extended unemployment benefits would participate in the above two programs in the absence of federal supplemental benefits. The offset estimates are based upon Mathematica Policy Research, Inc. data on the 1975 supplemental benefit experience.

The spendout of the authorized administrative funds was based upon Department of Labor (DOL) information.

Title II

This title would make a number of changes in the AFDC program, as discussed below.

Increase Earned Income Disregards.—This bill liberalizes the AFDC earned income disregards. Current law disregards are \$75 (prorated for part-time work), actual child care expenses up to \$160 per child per month (prorated for part-time work), and \$30 plus one-third of remaining earnings for the first four months of employment. Under this bill, the disregards would be set at 20 percent of gross earnings up to a maximum of \$175 per month, actual child care expenses up to \$160 per child per month, and \$50 plus one-third of remaining earnings. The \$50 and one-third provision would be applied after the other disregards and would not apply for eligibility determination. These disregards are more generous than those put in place by the reconciliation act of 1981 for most AFDC recipients but less generous than pre-1981 disregards. In addition, the bill repeals the gross income limitation set at 150 percent of the states' need standards and counts as income only the Earned Income Tax Credit (EITC) actually received by AFDC recipients.

[By fiscal year, in millions of dollars]

	1982	1983	1984	1985	1986	1987
Estimated outlays:						
AFDC.....		100	130	155	155	155
Medicaid.....		15	40	55	60	65
Food stamps.....		-46	-60	-70	-70	-70
Total outlays.....		69	110	140	145	150

Outlays in AFDC as a result of these provisions are estimated to rise by \$100 million in fiscal year 1983, \$130 million in 1984, and \$155 million per year in 1985 through 1987, as shown in the table above. These estimates depend importantly on the assumptions of savings from the reconciliation act of 1981 which are in CBO's baseline outlays. CBO estimated that the reductions in AFDC earned income disregards in 1981—in particular the rise from 66 percent to 100 percent in the marginal benefit reduction ("tax") rate—would reduce work effort of recipients. These estimated reductions in work effort lower estimated savings from the reconciliation act and lower estimated costs of H.R. 6369.

Based on a simulation of the new program parameters, CBO esti-

mates that about 175,000 families with earnings would receive higher AFDC benefits and about 85,000 families who lost eligibility in 1981 would again become eligible by 1985. In addition to the costs resulting from these higher AFDC benefits, outlays in Medicaid would also rise as a result of the new AFDC eligibles, as shown in the table above. The increased Medicaid outlays assume that 50 percent of the newly eligible families were not receiving Medicaid prior to their AFDC eligibility. These higher AFDC and Medicaid outlays are partially offset by resulting savings in the food stamp program, as shown in the table. As AFDC benefits increase, food stamp benefits fall by about one-third of the increase for the 75 percent of AFDC recipients who receive food stamps.

The net result of these program interactions is an estimated increase in outlays of \$69 million in fiscal year 1983. By 1985, when all the newly eligible families are on AFDC and with earnings, net outlays are estimated to be \$140 million.

Disregard Children's Earnings from CETA Youth Programs and Certain Payments to AFDC Children.—The bill would disregard certain income of children which could currently be counted as income for purposes of determining AFDC benefits: (1) earnings from CETA youth programs, and (2) payments to AFDC children by state welfare agencies (without federal financial participation), if such a state program has been continuously in effect since before January 1, 1979. Estimated outlays for these provisions are \$2 million per year for fiscal years 1983 through 1987, as shown in the table below.

[By fiscal year, in millions of dollars]

	1982	1983	1984	1985	1986	1987
Estimated outlays:						
AFDC.....		3	3	3	4	4
Food stamps.....		-1	-1	-1	-2	-2
Total outlays.....		2	2	2	2	2

At the present time in AFDC, children's earnings are not counted if the children are students or in training programs. Consequently, the provision to exclude earnings from CETA youth programs would affect only children aged 14 through 17, who are not students, and who participate in the CETA summer job program. CETA summer jobs are rationed and only 20 percent of eligible AFDC children receive such jobs. CBO has estimated that only about 10,000 children would be affected by this provision. Moreover, while summer wages in 1982 are estimated to be around \$1,000, application of the earnings disregards (including the \$30 and one-third for first-time earners) reduces countable income.

The second provision would exclude from income certain specified payments to AFDC children. In practice, the provision applies to the \$50 biannual payments in the state of Texas. Because these payments have not been counted as income in AFDC, this provision is estimated to have no cost.

Title III

This title would lower the current income levels above which unemployment benefits are taxable.

[By fiscal years, in millions of dollars]

Revenues:

1982	-----	-----
1983	-----	696
1984	-----	686
1985	-----	611
1986	-----	618
1987	-----	650

The revenue estimates were calculated by the Joint Tax Committee.

7. Estimate comparison: DOL has estimated the fiscal impact of the federal supplemental compensation provisions of this bill. That estimate appears below.

[By fiscal years, in millions of dollars]

Estimated outlays:

1982	-----	383
1983	-----	523
1984	-----	-----
1985	-----	-----
1986	-----	-----
1987	-----	-----

The difference between the CBO and DOL estimates is due to different sets of total unemployment rate assumptions as well as different estimates of the gap separating the total and insured unemployment rates.

The Department of Health and Human Services (DHHS) has estimated the costs of the increases in earnings disregards in AFDC. That estimate appears below.

[By fiscal years, in millions of dollars]

Estimated outlays:

1982	-----	-----
1983	-----	315
1984	-----	334
1985	-----	363
1986	-----	385
1987	-----	(¹)

¹ Not available.

The difference between the CBO and DHHS estimates is due primarily to different assumptions as to work effort reductions from the Reconciliation Act of 1981. DHHS assumes no reduced work effort.

8. Previous CBO estimate: None.

9. Estimate prepared by: Richard Hendrix and Janice Peskin.

10. Estimate approved by:

C. G. NUCKOLS
(For James L. Blum,
Assistant Director for Budget Analysis).

V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES
OF THE HOUSE

1. *Vote of the committee*

In compliance with clause 2(1) (2) (B) of the rule XI, the following statement is made: the bill, H.R. 6369, was ordered favorably reported

to the House of Representatives by a recorded vote of 23 "ayes" and 5 "noes".

2. Oversight findings

In compliance with clause 2(1) (3) (A) of the rule XI, the following summary of the oversight findings of the Committee with respect to the amendments proposed by H.R. 6369 is provided.

Current economic conditions make it necessary to provide additional weeks of unemployment compensation through a new Federal Supplemental Benefits (FSB) program. The present rate of unemployment (9.4 percent in April) is the highest it has been since 1941. Because of an increasing number of jobless workers are competing for a decreasing number of jobs, every month more and more individuals are exhausting their unemployment benefits before finding new employment. As of March, over 300,000 workers were exhausting their State unemployment benefits each month. In addition, the number of unemployed workers who are exhausting both regular State and Federal-State extended unemployment compensation is increasing rapidly.

The AFDC "earnings disregards" and income eligibility limits under present law should be modified to provide a financial incentive for AFDC recipients to find employment and continue working. In addition, States should count as earned income only amounts an AFDC recipient actually receives due to the earned income tax credit.

The participation of AFDC youth in a CETA youth or summer jobs program should not affect the family's AFDC eligibility or benefit amount. Accordingly, States should disregard any income and allowances received by an AFDC youth as the result of participation in a youth program under title IV of the Comprehensive Employment and Training Act (CETA) or under corresponding provisions of a successor statute. Further, certain totally State financed payments that are made to AFDC children, in order to meet certain needs of the children (and have been provided by the State on a continuous basis since before January 1, 1979) should be excluded from income for purposes of determining eligibility for or the amount of the families' AFDC benefits.

3. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

With respect to clause 2(1) (3) (D) of rule XI, the Committee advises that no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations regarding the subject matter of this bill.

4. INFLATION IMPACT

In compliance with clause 2(1) (4) of rule XI, the Committee states that the enactment of this bill is not expected to have any significant inflationary impact on prices and costs in the operation of the national economy.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as

reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman) :

SOCIAL SECURITY ACT

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) A State plan for aid and services to needy families with children must—

(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

[(8) (A) provide that, with respect to any month, in making the determination under paragraph (7), the State agency—

[(i) shall disregard all of the earned income of each dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment;

[(ii) shall disregard from the earned income of any child or relative applying for or receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first \$75 of the total of such earned income for such month (or such lesser amount as the Secretary may prescribe in the case of an individual not engaged in full-time employment or not employed throughout the month);

[(iii) shall disregard from the earned income of any child, relative, or other individual specified in clause (ii), an amount equal to expenditures for care in such month for a dependent child, or an incapacitated individual living in the same home as the dependent child, receiving aid to families with dependent children and requiring such care for such month, to the extent that such amount (for each such dependent child or incapacitated individual) does not exceed \$160 (or such lesser amount as the Secretary may prescribe in the case of an individual not engaged in full-time employment or not employed throughout the month); and

[(iv) shall disregard from the earned income of any child or relative receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to the first \$30 of the total of such earned income not already disregarded under the preceding provisions of this paragraph plus one-third of the remainder thereof (but excluding, for purposes of this subparagraph, earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3)); and

[(B) provide that (with respect to any month) the State agency—

[(i) shall not disregard, under clause (ii), (iii), or (iv) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A) (ii) if such person—

[(I) terminated his employment or reduced his earned income without good cause within such period (or not less than thirty days) preceding such month as may be prescribed by the Secretary;

[(I) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by the employer, to be a bona fide offer of employment; or

[(III) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month; and

[(ii)(I) shall not disregard, under subparagraph (A)(iv), any earned income of any of the persons specified in subparagraph (A)(ii), if, with respect to such month, the income of the persons so specified was in excess of their need, as determined by the State agency pursuant to paragraph (7) (without regard to subparagraph (A)(iv) of this paragraph), unless the persons received aid under the plan in one or more of the four months preceding such month and subparagraph (A)(iv) has not already been applied to their income for four consecutive months while they were receiving aid under the plan; and

[(II) in the case of the earned income of a person with respect to whom subparagraph (A)(iv) has been applied for four consecutive months, shall not apply the provisions of subparagraph (A)(iv) for so long as he continues to receive aid under the plan and shall not apply such provisions to any month thereafter until the expiration of an additional period of twelve consecutive months during which he is not a recipient of such aid;]

(8) *provide that, in making the determination under paragraph (7) with respect to any month, the State agency (subject to section 407(f))—*

(A) (i) *shall disregard all of the earned income of each*

dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student, or a part-time student who is not a full-time employee, attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment;

(ii) shall disregard any income (and allowances) of a dependent child receiving aid to families with dependent children which is derived from participation in a youth program under title IV of the Comprehensive Employment and Training Act (29 U.S.C. 891 et seq.) or under the corresponding provisions of any successor statute;

(B) shall disregard from the total earned income of any child who is claiming aid to families with dependent children, any relative who is claiming such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first \$50 of such total earned income for such month;

(C) shall disregard from the total earned income of the persons specified in subparagraph (B) an amount equal to the lesser of (i) 20 percent of the total (determined prior to the application of subparagraph (B)) of any amounts received by such persons in such month as wages or salary or as net earnings from self-employment, plus the full amount of any costs incurred by them in producing self-employment income in such month, or (ii) \$175;

(D) shall disregard from the total earned income of the persons specified in subparagraph (B) an amount equal to the cost of care in such month for a dependent child, or an incapacitated individual living in the same home as the dependent child, receiving aid to families with dependent children and requiring such care for such month, to the extent that such amount does not exceed \$160 for any one such child or individual; and

(E) shall disregard from the total earned income of the persons specified in subparagraph (B) an amount equal to one-third of the amount of such earned income not already disregarded under subparagraph (B), (C), or (D);

except that if a child who is one of the persons specified in subparagraph (B) is also included under subparagraph (A), no income of such child to which such subparagraph (A) applies shall be taken into account in applying subparagraph (B), (C), (D), or (E); and except that (with respect to any month) the State agency—

(F) shall not disregard, under subparagraph (B) or (E), any earned income of any one of the persons specified in subparagraph (B) if such person—

(i) terminated his employment or reduced his earned income without good cause within such period (of not

less than thirty days) preceding such month as may be prescribed by the Secretary;

(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment; or

(iii) failed without good cause to make a timely report (as prescribed by the State plan) to the State agency of earned income received in such month;

(G) shall not disregard, under subparagraph (B) or (E), any income derived from participation in a project maintained under the programs established by section 432(b) (2) and (3); and

(H) shall not disregard, under subparagraph (B) or (E), any earned income of any of the persons specified in subparagraph (B) if with respect to such month the income of the persons so specified was in excess of their need as determined by the State agency pursuant to paragraph (7) (without regard to subparagraphs (A), (B), and (E) of this paragraph), unless, for any one of the four months preceding such month, the needs of such person were met by the furnishing of aid under the plan;

* * * * *

(17) provide that if a person specified in [paragraph (8) (A) (i) or (ii)] paragraph (8) (A) or (B) receives in any month an amount of income which, together with all other income for that month not excluded under paragraph (8), exceeds the State's standard of need applicable to the family of which he is a member—

(A) such amount of income shall be considered income to such individual in the month received, and the family of which such person is a member shall be ineligible for aid under the plan for the whole number of months that equals

(i) the sum of such amount and all other income received in such month, not excluded under paragraph (8), divided by

(ii) the standard of need applicable to such family, and

(B) any income remaining (which amount is less than the applicable monthly standard) shall be treated as income received in the first month following the period of ineligibility specified in subparagraph (A);

[(18) provide that no family shall be eligible for aid under the plan for any month if, for that month, the total income of the family (other than payments under the plan), without application of paragraph (8), exceeds 150 percent of the State's standard of need for a family of the same composition;]

* * * * *

[(d) (1) For purposes of this part, an individual's "income" shall also include, to the extent and under the circumstances prescribed by the Secretary, an amount (which shall be treated as earned income for purposes of this part) equal to the earned income advance amount (under section 3507(a) of the Internal Revenue Code of 1954) that is (or, upon the filing of an earned income eligibility certificate, would be) payable to such individual.]

(d) (1) For purposes of paragraphs (7) and (8) of subsection (a), any refund of Federal income taxes made by reason of section 43 of the Internal Revenue Code of 1954 (relating to earned income credit) and any payment made by an employer under section 3507 of such Code (relating to advance payment of earned income credit) shall be considered earned income.

* * * * *

DEPENDENT CHILDREN OF UNEMPLOYED PARENTS

SEC. 407. (a) * * *

* * * * *

(f) Notwithstanding any other provision of this part, in the case of any family which is or may be eligible for aid under the State plan solely because the needy child involved has been deprived of parental support or care by reason of the unemployment of a parent as described in subsection (a), the State agency may at its option elect to treat subparagraphs (D) and (E) of section 402(a) (8) as inapplicable (and to apply subparagraph (H) of such section as though the references therein to "subparagraph (B) or (E)" and "subparagraphs (B) and (E)" each included a reference to subparagraph (D)).

* * * * *

INTERNAL REVENUE CODE OF 1954

* * * * *

CHAPTER 1—NORMAL TAXES AND SURTAXES

* * * * *

Subchapter A—Determination of Tax Liability

* * * * *

PART II—ITEMS SPECIFICALLY INCLUDED IN GROSS INCOME

* * * * *

SEC. 85. UNEMPLOYMENT COMPENSATION

(a) IN GENERAL.—If the sum for the taxable year of the adjusted gross income of the taxpayer (determined without regard to this section, section 105(d), and section 221) and the unemployment compensation exceeds the base amount, gross income for the taxable year

includes unemployment compensation in an amount equal to the lesser of—

- (1) one-half of the amount of the excess of such sum over the base amount, or
 - (2) the amount of the unemployment compensation.
- (b) **BASE AMOUNT DEFINED.**—For purposes of this section, the term “base amount” means—
- (1) except as provided in paragraphs (2) and (3), **[\$20,000]** *\$12,000*,
 - (2) **[\$25,000]** *\$18,000*, in the case of a joint return under section 6013, or
 - (3) zero, in the case of a taxpayer who—
 - (A) is married at the close of the taxable year (within the meaning of section 143) but does not file a joint return for such year, and
 - (B) does not live apart from his spouse at all times during the taxable year.
- (c) **UNEMPLOYMENT COMPENSATION DEFINED.**—For purposes of this section, the term “unemployment compensation” means any amount received under a law of the United States or of a State which is in the nature of unemployment compensation.

* * * * *

VII. DISSENTING VIEWS

This bill creates an unnecessary and expensive new entitlement, repeals several of the welfare cuts enacted last year, and squanders a source of revenue which would be far better used to reduce the budget deficit.

Title I of the bill establishes a \$900 million program to provide up to an additional 13 weeks of Federal Supplemental Benefits (FSB) to people who have already used up their regular unemployment benefits as well as their extended benefits. These combined benefits could total 52 weeks for many individuals.

At this point in the economic cycle, these benefits are unwarranted. In the 1980–1981 winter season, over 150,000 individuals each month were exhausting their extended benefits. In the first three months this year, extended benefits exhaustions averaged 19,400 each month, levels which do not justify the expenditure of such huge sums. Of the 9,854,000 people unemployed during March, 1982, only 18.7 percent (or 1,828,000) were unemployed because of a layoff. Nearly 43 percent of all “unemployed” had either quit their jobs, were re-entering the labor force, or were new entrants to the labor force. Out of the 109 million civilian labor force in March, 1982, the 1,828,000 unemployed because of layoff constituted an unemployment rate of 1.67 percent—not the 9 percent plus used by the news media.

There is evidence that increased duration of benefits acts as a disincentive to active and effective job search. The availability of up to a full year of unemployment compensation permits people to postpone facing up to the inevitable necessity of locating new work in their current or another location.

The Ways and Means Committee rejected an amendment to condi-

tion the receipt of FSB on a reasonably strong prior attachment to the work force. Under this amendment, at least 30 weeks of work during the employee's base period would be required in order for the employee to qualify for FSB which could take the entire unemployment compensation period up to 52 weeks. It is not overly strict to require 30 weeks of work to get 52 weeks of benefits.

The 1981 reconciliation amendments imposed a 20-week work requirement on the receipt of extended benefits, and the 30-week work requirement for FSB is merely an extension of that concept. Under our proposed amendment, a person would need 20 weeks of work to qualify for extended benefits, but at least 30 weeks of work to qualify for FSB. Although some administrative and recordkeeping adjustments would be needed in the implementation of the 30-week work requirement, these changes are not unworkable and are not a serious obstacle to this approach. Such an amendment would reduce the cost of the FSB program by some \$244 million. We will urge that the rule governing Floor consideration of this legislation allow this amendment to be offered.

The Secretary of Labor has informed our Committee of the Administration's strong opposition to this legislation which is not in accord with the President's program.

Title II of the bill repeals a number of the cuts in the AFDC program (Aid to Families with Dependent Children) enacted in the 1981 reconciliation legislation. Although the estimates of the Department of Health and Human Services (HHS) and the Congressional Budget Office (CBO) differ widely as to the spending impact of these changes (HHS says \$300 billion, CBO says \$69 billion), the result is nevertheless clear. Under Title II of the bill, families of four with modest (\$150/month) daycare expenses would be able to remain in the AFDC program with annual incomes up to \$14,400 in California, over \$13,300 in Michigan, Oregon, Vermont, Washington and Wisconsin, and over \$10,000 in 33 states. What this means is that the AFDC program will be used as a perpetual income subsidy for families whose income remains at these meager income levels.

If Congress intends to enact a permanent wage subsidy program for families with children, it ought to look more closely at the matter than has been done in the Ways and Means Committee. A number of important issues were not even raised, much less discussed. For example, if a \$12,000-a-year family has been on AFDC, it qualifies for the wage supplement; but the \$12,000-a-year family next door which has never been on AFDC does not get the supplement. It is too costly to resolve this horizontal equity issue, but by reinstating the wage subsidy, the Committee is re-creating an inequity which the 1981 amendments had largely mitigated.

Another possible effect of this wage subsidy will be to discourage families from maximizing their income so that they do not lose the AFDC supplement and the accompanying Medicaid benefits. Finally, it is important to note that the Committee took this action with scant objective data regarding the extent to which the work efforts of AFDC families have been affected by the newly-enacted policies which took effect only a few months ago. Even the anecdotal evidence gathered

by the Committee during its field hearings this past winter indicated that most people do not know what their personal response to these changes will be.

In order to achieve the semblance of a no-cost bill, the Committee agreed to raise additional revenue by reducing the income level at which unemployment compensation begins to be subject to federal income tax. Two points need to be made regarding this tactic. First, making the increased taxation of unemployment compensation effective beginning January 1, 1982 will not produce any additional revenues until the beginning of 1983 at the earliest since unemployment compensation is not subject to withholding. Therefore, no offsetting revenues will be available to cover the several hundred million in new entitlements in 1982. Second, these revenues ought not be used to create ill-conceived new entitlements of dubious value. They should be used instead to offset the deficit incurred in running the programs and policies to which our government is already committed.

BARBER B. CONABLE, Jr.

BILL ARCHER.

PHILIP M. CRANE.

BILL FRENZEL.

W. HENSON MOORE.

VIII. FURTHER DISSENTING VIEWS

I am in agreement with my colleagues' dissenting views insofar as they pertain to Title I of the bill establishing a \$900 million program to provide up to thirteen weeks of unemployment compensation to people who have used up both their regular unemployment and their extended benefits.

JOHN H. ROUSSELOT.

